

Budget Address

March 29, 2011

Good evening Council Members, residents and staff. Thank you for allowing me to present a budget message reflecting the work of the administration during the last eight months. I want to express my appreciation to all the Department Heads and especially to Pat Wilson, our Finance Director and her staff, for the intense work they have put into this process. With the many challenges that have come as the result of the Great Recession, the time has come to focus on the options to best meet these setbacks head on. **In a word, it is time for a change.** We are entering the fourth budget cycle that will require more cutting. While I continue to be optimistic about the future of our City, I am also realistic in recognizing where we are and the path to take to move Murray forward. While we are not alone in this position, our City is facing a time of evaluation and reorganization. With your support, our great employees and Murray residents, together we can turn this challenge into an opportunity.

When the sales tax distribution formula was adjusted in 2006, there was a provision built into it as a hold-harmless, should our numbers dip below \$12 million dollars. We did not anticipate that we would ever need to use this provision, especially when our sales tax dollars rose to \$14 million in 2007. We are now collecting about \$11 million and using the hold-harmless to add an additional \$1.2 million annually through the fiscal year 2012-13. I believe we will see a slow and gradual rebound as the economy begins to function more smoothly. With two years left of this hold-harmless, I am hopeful we can begin to fill this gap.

With the recent article in the Murray Journal, questions are being asked about funding a performing arts center. We participated with Salt Lake County in an arts master planning process that identified the need for regional cultural facilities. The County will retire the bonds on the Salt Palace soon. To continue their process, they requested applications from those who may be interested in having such a facility in their jurisdiction. Murray is a natural choice, since we have such an active art community and a great central valley location. While County funding may be available to fund half of such a facility, other resources would need to be identified. A non-profit group is fund raising and there may come a time when residents would be asked to participate in a general obligation bond to make this a reality. It is still early in the process and the dates in the article are optimistic. More information will be coming in the future. Nevertheless, I do not see this as a funding issue in the immediate future.

In cooperation with the Council, we are working to pursue long term opportunities by focusing on strategic planning. An information technology master plan was recently completed that will provide a roadmap for changing and simplifying our processes in many areas. While implementing them may take longer than we would like with limited funding, I am optimistic that we are moving in the right direction. We are also proposing to conduct a City wide strategic planning process to include the City as a whole, which will give us many options to change and improve. I would like to partially fund the project this year and complete it next.

Input from all groups will be necessary and welcome. This will be a long term, comprehensive effort that, I believe, will pay valuable dividends for our City.

Currently we are projecting general fund revenues at about \$38 million. All the departments of the City have made repeated cuts to their operating and capital budgets over the last three years. Each time the budget was reviewed, more cuts were necessary. I have appreciated the effort that each department has made. Again this year in our effort to fill about a \$2 million dollar plus gap, departments cut an additional **\$1,013,305**. These cuts are not without consequences, but the effort made has been substantial.

I appreciate our cooperative effort with the Council and have included you in our processes as we have looked at every possibility to balance the budget. I put into place two committees. Because we are a service organization, our employees account for a large portion of our expenditures. One committee was formed to review the benefits our employees receive. The efforts of their work will be expanded upon later. This group of employees will continue to work on other issues through the coming year. The other committee was charged with the task of reviewing the fee structure we have in place. They did excellent work and completed a report identifying areas where changes may be made. Their work produced a list of adjustments which are included in my budget. An independent review is being conducted to document that the increases are to cover costs incurred by the City.

As our budget work progressed, several opportunities came to light that I recommend pursuing. Several years ago when cash was tight, we used some of our bonding capacity to lease-purchase a fire truck, three ambulances and a street paver. Each of these capital expenses allowed our employees to provide additional services to our residents. I am recommending that we use bond allowed general fund reimbursements from a sales tax revenue bond to pay off these capital leases. These funds had been previously identified as available in prior year budgets, but we have avoided using them. At this time, it makes financial sense to pay off the capital leases and create savings for the next 3 fiscal years.

One idea that our benefits committee was asked to consider was an early retirement incentive. They worked very hard to create a proposal that would have a variety of positive aspects. First, it would allow employees who have been here and given so much to our City, the ability to pursue other interests. Second, it opens a window of opportunity to make changes in the various departments. Reorganizing will assist in enhancing efficiency and help us make improvements to benefit the City. Third, many of the positions will not be filled or will be left vacant for a period of time until the costs for the incentive have been recouped. Finally, this program will reduce the need for layoffs. While I am sad to see many of our long time employees leave us, I am excited for the possibilities this opens personally for each of them.

In mentioning employees, I want to thank them for their continued good attitudes and work ethic. This comes at a time when they have not had any increases for the third year in a row. I am disappointed to not be able to give them some additional pay, but do request in my budget that we pay the health insurance increase. It was projected at 19% at one point, but skillful

Human Resource negotiation has dropped it to just under 9%. I am also recommending that we pay the additional \$52,000 to cover the increases to the retirement fund for them.

With the careful budgeting of past years, the reserves of the City are still whole at 18%. Since total revenues have been reduced, this number is lower than in past years. I am recommending that we use our reserves to allow us to make the retirement incentive work and spend about another \$500,000 to balance the budget. Filling a \$2 million dollar gap is difficult and with all the cuts that have been made, I believe this makes sense this year. We are not adding much to the budget, but must adjust line items to cover the increased costs associated with accepting credit card payments, a small fuel adjustment and unrealistic estimates of overtime cuts.

I believe in balancing the budget with these severe cuts, it leaves us a long list of items not being funded. The only funding for roads this year will come from our Class C road fund allocation from State gas tax revenue and State money that was obtained to rebuild 4800 South. In the past we have spent approximately a million general fund dollars each year to provide upkeep on our roads. This money has been removed from the budget for the past three years and the time will come when we will have to invest significantly to maintain our roads. We also have other challenges. We have not been able to keep our vehicle replacement rotation system in place. With additional years on our fleet, general maintenance will give way to more expensive repairs. A hiring freeze has been in place and we have had several police officers leave. With the retirement incentive option, more of our public safety personnel will not be replaced. We are struggling with many inconveniences' of being in an old building. Moving forward to replace City Hall has been put on the back burner while we work through a tough economy. These issues will need to be addressed in the future, but with patience and collaborative efforts with the Council we can move forward.

My budget includes recommendations to close the Park Center on Sundays and early on Friday evenings. This will save money on several fronts, from employees to utilities. Hours will also be reduced at the outdoor pool this summer, as a cost saving measure. Two pavilions in Murray Park need to be rebuilt. We will make structural repairs to make them safe, but this approach will not resolve these issues on a long term basis. The Heritage Center will discontinue providing bus transportation to the Center and having meals on Monday. We are not sure how long we can delay other necessities. For example, the Fire Department needs to replace outdated air packs at a cost of \$280,000. Over 75 computers in the City are over five years old and should be on a routine schedule for replacement. Although great information came from the technology master plan, no funding is in place to make any changes. The Murray Parkway Golf Course needs to have the irrigation system replaced, which is a \$2 million dollar repair that must be planned for as soon as possible. Other items have been eliminated in past years and not added back into the budget. These past cuts will also need to be addressed.

I know that you are aware of these concerns and, like me, are making the best of what we have. However, I feel it is right to let our residents know of these needed capital expenses, lower number of employees and proposed reduction in services. While I understand the desire to keep taxes in check, I would suggest that a property tax increase be considered as part of the

budget next year. Even with a modest tax increase, it will take many years to recover. As we look at changes that can be made to the way our City functions, I expect we will have people who are disappointed that the services they enjoy will be reduced or eliminated.

Murray is a great City and our potential is endless. Our taxes are low due to good planning and wise use of the dollars we receive from the great blend of businesses, commercial and residences we have here. My goal is to keep our City an excellent community for all those who live and work here. It will take some changes to make it continue that way. I look forward to the challenge of **change** and invite you along for the journey.

Thank you.